

different equipment, including related spare equipment and components, which Pacific does not normally provision ("Other Equipment"), which, by way of example, is attached as Exhibit B hereto. Pacific agrees to provide such similar interconnections at its COs where space and operating conditions permit and which may be requested by TCG on behalf of its affiliates but potentially using Other Equipment, pursuant to the terms of this Settlement Agreement and Revised Stipulation and the principles reflected in the SSA (a "Similar Interconnection"). Both parties acknowledge that Pacific may make proposals to the California Public Utilities Commission providing for the interconnection of customer owned equipment at or within Pacific's CO, or otherwise make such interconnection generally available to potential customers. In that event, the terms and conditions of such interconnection including, without limitation, terms covering price, shall apply rather than the terms of the Similar Interconnection; provided that the functionality of the interconnection described in the Similar Interconnection (concerning placement of Other Equipment, testing, maintenance and transmission quality) shall not be diminished.

2. Pacific shall file an appropriate Advice Letter reflecting the SSA and subsequent appropriate Advice Letters reflecting any Similar Interconnection.

3. In order for a Similar Interconnection to be provided it may be necessary to place, at a Pacific CO, other Equipment. The prices and other terms and conditions for any Similar Interconnection shall be negotiated in good faith by the Parties from time to time. In determining the price and other terms and conditions for any Similar Interconnection Pacific shall not, by this agreement, be obliged in any way to accept a price where the contribution derived from that price (the amount of price in excess of cost) for interconnecting with Pacific's network to provide services which compete with Pacific's services is less than the contribution Pacific realizes for like connections when it offers its competing services directly to customers. In addition, unless directed otherwise by the California Public Utilities Commission, the service limitations described in the 1981-1982 tariff shall also apply to the 1983-1984 tariff.

additional spare or replacement parts and equipment for any Other Equipment that is or becomes defective, or for which the manufacturer requires corrections or adjustments, or for the purposes of undertaking upgrades, during the term of any Similar Interconnection. In the event of failure of such equipment, MSC shall replace it at its expense. ~~Guarantee~~

the owner of the Other Equipment, including a determination that the property is a CIAC, TCG will reimburse Pacific for all costs Pacific incurs in connection with such determination including, without limitation, any tax due.

7. The design specifications of any Similar Interconnection shall be mutually agreed upon by TCG and Pacific, but it is agreed that they will meet or exceed Pacific's transmission, safety, security and environmental standards. TCG agrees to cooperate with Pacific in joint testing and maintenance of the service and facilities described in the SSA or any Similar Interconnection. To facilitate this joint testing and maintenance and to provide TCG with other capabilities it requires to manage its service offerings, any Similar Interconnection will provide TCG primary remote test, monitor and control capabilities. The manner of joint testing and maintenance will be mutually agreed upon by TCG and Pacific.

8. TCG will provide training in connection with any Similar Interconnection. All such training will be provided by qualified representatives of the manufacturer of the Other Equipment. TCG will pay all costs necessary to obtain a qualified instructor including, but not limited to, tuition, airfares, hotel, and meals. At TCG's option, training may be "suitcased" to the Pacific location where the equipment will be deployed. A minimum of eight (8)

Pacific employees per office will be trained on operation and maintenance of the Other Equipment (4 day shift and 4 night shift). Subsequent training each year will consist of training two (2) new employees in each office (estimated attrition, 1 day shift and 1 night shift) and of a one-day refresher training (provided by the manufacturer of the Other Equipment) for those (6) who have previously been trained. Initial training will consist of at least 2 five-day-sessions. TCG will pay Directly Assigned labor rates for Pacific's employees' time during training, including off-shift premiums for evening/night-shift employees and for day-shift employees backfilling for evening/night-shift employees in training. More sessions may be required depending on vacation scheduled, etc. Training dates will be mutually agreed to by Pacific, TCG, and the manufacturer; however, any scheduling will be such that adequate Pacific work force will be available to maintain normal office operations. Should TCG fail to provide qualified instructors under the terms and conditions above, TCG will be liable for all costs expended by Pacific in obtaining the qualified instructors including, but not limited to, tuition, airfares, hotels, ground transportation, and meals.

9. The rates and charges specified in the SSA are for intrastate services predicated on the Commission's requirements for central office to points of presence

connections. Authorized interstate traffic may be carried by the facilities provided by Pacific to TCG. Prior to activating the services described herein, TCG shall provide Pacific the percent interstate usage ("PIU"). TCG may or may not be able to determine the percentage of total traffic that is interstate in nature, but shall use its best efforts to do so.

10. If Pacific makes a unilateral rate change proposal with respect to the SSA (or any subsequent special service arrangement) to the Commission or the FCC, TCG has the right to oppose the proposal and terminate the SSA or the special service arrangement should the rate change be adopted by the Commission, except that a rate change shall not be deemed "unilateral" if the Commission applies the price cap index mechanism described in D.89-10-031 to the rates described herein.

11. The Parties further agree that as a result of this agreement Pacific shall be permitted to seek pricing flexibility for all services which will compete with services TCG offers over or through the interconnection arrangement including, without limitation, intraLATA high speed data and intrastate special access with price floors based on incremental costs in the Implementation Rate Design phase (IRD) of Phase III of I.87-11-033, and TCG will not oppose price floors based on incremental costs; provided TCG

reserves the right to question what Pacific's incremental costs are and whether appropriate costs have been identified and included in the calculation. The pricing contained in the SSA reflects the settlement of disputed claims and shall not be considered precedential. Both parties reserve the right to argue that any Similar Interconnection should be priced differently.

12. This Settlement Agreement is subject to the approval of the Commission, and shall become effective upon Commission approval. TCG shall dismiss the Petition upon the Commission's approval of this Settlement Agreement and effectiveness of the Advice Letter implementing the SSA.

Agreed to and Accepted:

RV



Agreed to and Accepted:

RV



EXHIBIT A

APPLICATION FOR EXCHANGE ACCESS SERVICE AND/OR FACILITIES  
HUBBING

---

1. When the Settlement Agreement and Revised Stipulation, to which this application is an exhibit, is signed by the Teleport Communications Group and Pacific Bell, this application will constitute an agreement between Teleport Communications of San Francisco Inc. ("TCSF") and Pacific Bell ("Pacific") for Pacific to provide the services and/or facilities herewith described, in accordance with the California Public Utilities Commission access tariff 175-T currently on file. This application is made to permit the parties to seek appropriate regulatory approval.
2. Pacific will, upon obtaining all necessary regulatory approvals, provide the exchange access services and/or facilities for TCSF in accordance with the specifications and conditions described herein and in its tariffs (Cal. P.U.C. 175-T), and will provide such exchange access services and/or facilities to TCSF for exchange access telecommunication purposes. Pacific will retain ownership of the exchange services and/or facilities and their design. In order for the services and/or facilities described herein to be provided, it will be necessary to place on Pacific's property the electronic equipment described in Attachment 1. The prices for the services and/or facilities offered hereunder are set forth in Attachment 2.
3. Pacific will connect the exchange access services and/or facilities it provides with those of TCSF at points of connection designated by TCSF within Pacific's serving area. The points of connection shall be solely owned,



ownership of such cable. The TCSF points of connection  
will be the demarcation between TCSF's and Pacific's  
facilities. Pacific and TCSF will select a common

this application conditional upon acceptance of material changes in the rates, terms, conditions or service called for by this application, TCSF and Pacific shall both have the option to terminate this application without further obligation; provided, however, that if TCSF terminates the application, TCSF shall be liable for a charge equal to the costs incurred by Pacific at the date of termination, less estimated net salvage. Charges include the non-recoverable cost of equipment and material ordered, provided or used, plus the non-recoverable cost of installation and removal including the costs of engineering, labor, supervision, transportation, rights-of-way and other associated costs.

10. These exchange access services and/or facilities are offered to provide High Capacity (90 Mbps) Access Service from TCSF's points of connection to the Pacific Central Offices as described in Attachment 1. This Access Service is defined in Section 7.2.2 (C) (4) of the Schedule Cal. P.U.C. No. 175-T access tariffs.
11. The exchange access services and/or facilities will be provided for a period of ten (10) years, at rates and charges to be paid by TCSF for the exchange access service and/or facilities as specified in Attachment 2. Provided, in the event that either party desires that the service terminate at the end of five years it may so terminate the service by providing at least 12 months' notice of termination.
12. The rates and charges set forth herein are subject to the approval of the California Public Utilities Commission and may be revised at any time pursuant to their exercise of the jurisdiction over Pacific's services.
- 13.(a) The rates and charges detailed in these provisions are solely for the exchange access services and/or facilities described herein to be effected between TCSF's points of connection and Pacific's Central Offices. Any additional exchange access services and/or facilities ordered from Pacific, and provided over or in conjunction with these services and/or facilities, will be charged at the applicable tariff rates for such services or facilities or on an independent case basis. The terms and conditions relating to the shared use of the High Capacity (90 Mbps) Services described herein for switched access services, shall apply as set forth in Section 7.4.8 of FCC 128 and Section 7.4.8 of Schedule Cal. P.U.C. No. 175-T. By way of example only,

Attachment 3 provides a diagram of other services that might be connected to the exchange access services and/or facilities offered hereunder and a sample listing of additional charges.

- (b) Switched access services available through "ratcheting" can be placed over the 90 Mbps service (to the extent TCSF's operating authority is amended to allow provision of switched services to end user customers). Switched access will be billed from the Pacific Central Office where the switched access service is ordered to the TCSF points of connection where the switched access service connects.
  - (c) TCSF may not interconnect to the 90 Mbps service at Pacific's CO any exchange dial tone service (services provided by Pacific from its "A" exchange tariffs). In addition, TCSF shall not so interconnect the services listed in Attachment 4.
  - (d) These interconnection restrictions are intended solely for the purpose of precluding the use of the facilities or service provided hereunder such that TCSF acts as a supplier of local exchange dial tone to its customers. Nothing herein prevents TCSF from petitioning the CPUC to modify these restrictions. Nothing herein prevents Pacific from opposing modifications to these restrictions.
14. In the event TCSF cancels, modifies, delays, or does not accept the final charges and rates for the requested exchange access services and/or facilities, TCSF shall be liable for a charge equal to the costs incurred in such installation, less estimated net salvage. Charges include the non-recoverable cost of equipment and material ordered, provided or used, plus the non-recoverable cost of installation and removal including the costs of engineering, labor, supervision, transportation, rights-of-way and other associated costs.
15. If TCSF requests Pacific to rearrange the exchange access services and/or facilities, a non-recurring charge equal to the cost of any additional construction will apply.
16. Title to all systems, facilities, equipment and designs used to provide the exchange access service and/or facilities will be retained by Pacific.

17. Repair of the exchange access services and/or facilities will be governed by existing tariffs and statutes on priorities of repair.
18. Maintenance of the exchange access services and/or facilities will be governed as set forth in tariffs FCC 128, Section 13.3.1 and Schedule Cal. P.U.C. No. 175-T, Section 13.3.1.
19. If any regulatory or judicial body acts to prevent Pacific from providing the exchange access services and/or facilities, or fails to grant all approvals, permissions, etc., which may be necessary to provide the exchange access services and/or facilities, both TCSF and Pacific are released from any and all obligations arising under this application; provided, however, that TCSF, upon release, shall be liable for a charge equal to the costs incurred in such installation, less estimated net salvage. Charges include the non-recoverable cost of equipment and material ordered, provided or used, plus the non-recoverable cost of installation and removal including the costs of engineering, labor, supervision, transportation, rights-of-way and other associated cost.
20. TCSF understands and agrees that upon return to Pacific of this application for exchange access services and/or facilities, signed by TCSF, all applicable provisions in Pacific's tariffs currently filed with the Federal Communications Commission under FCC 128 and 129 and/or the California Public Utilities Commission under Schedule Cal. P.U.C. No. 175-T, in addition to the terms and conditions set forth herein, become a contract between TCSF and Pacific.
21. For purposes of this application for exchange access services and/or facilities, both parties recognize that these exchange access services and/or facilities may be used to transport authorized interstate and intrastate traffic.
22. Any notice or demand herein provided to be given or made or which may be given or made by either party to the other shall be deemed to have been duly given and made when made in writing and deposited in the United States mail, postage prepaid and addressed as follows:

To TCSF:

Teleport Communications  
San Francisco, Inc.

To Pacific Bell:

Pacific Bell  
Industry Market

1 Teleport Drive  
Suite 301, Staten Island  
New York 10311-1011  
Att'n: J. Scott Bonney  
Director, Regulatory Affairs

500 S. Main Street  
North Tower, Room 524  
Orange, California 92668  
Att'n: Account Manager

The address to which notices or demands may be given or made by either party may be changed by written notice given by such party to the other pursuant to this paragraph.

23. The services and/or facilities which are to be put in place pursuant to this application are intended to be used for the sole purpose of providing access to Pacific's Central Offices from TCSF points of connection in Pacific's service area.
24. The parties agree that the property described in this agreement will not be treated as Contribution In Aid of Construction (CIAC) within the meaning of applicable federal, state, and CPUC principles. In the event that the CPUC or taxing authority determines that the property is CIAC, TCG will reimburse Pacific for all costs Pacific incurs including, without limitation, any tax that is due.

**ATTACHMENT 1**

## APPLICATION SPECIFICATIONS

**DESCRIPTION OF SERVICE AND LOCATIONS:**

Provide one (1) AT&T DDM 1000 90 Mbps. fiber system, 1x1 protected and equipped for one (1) DS3 port and 28 T1 ports, between the SNFCCA01/03 Central Office and two (2) TCSF locations designated as TCSF MH 0000 (500 block of Pine Street, San Francisco) and TCSF MH 0425 (400 block of Bush Street, San Francisco). One route will be for the primary service and one will be for the protection service. Provide ten spare fibers to each location for future use. Hand-off to TCSF will be at 90 Mbps. optical signal. See Attachment 5 for equipment list.

ATTACHMENT 2

RATES

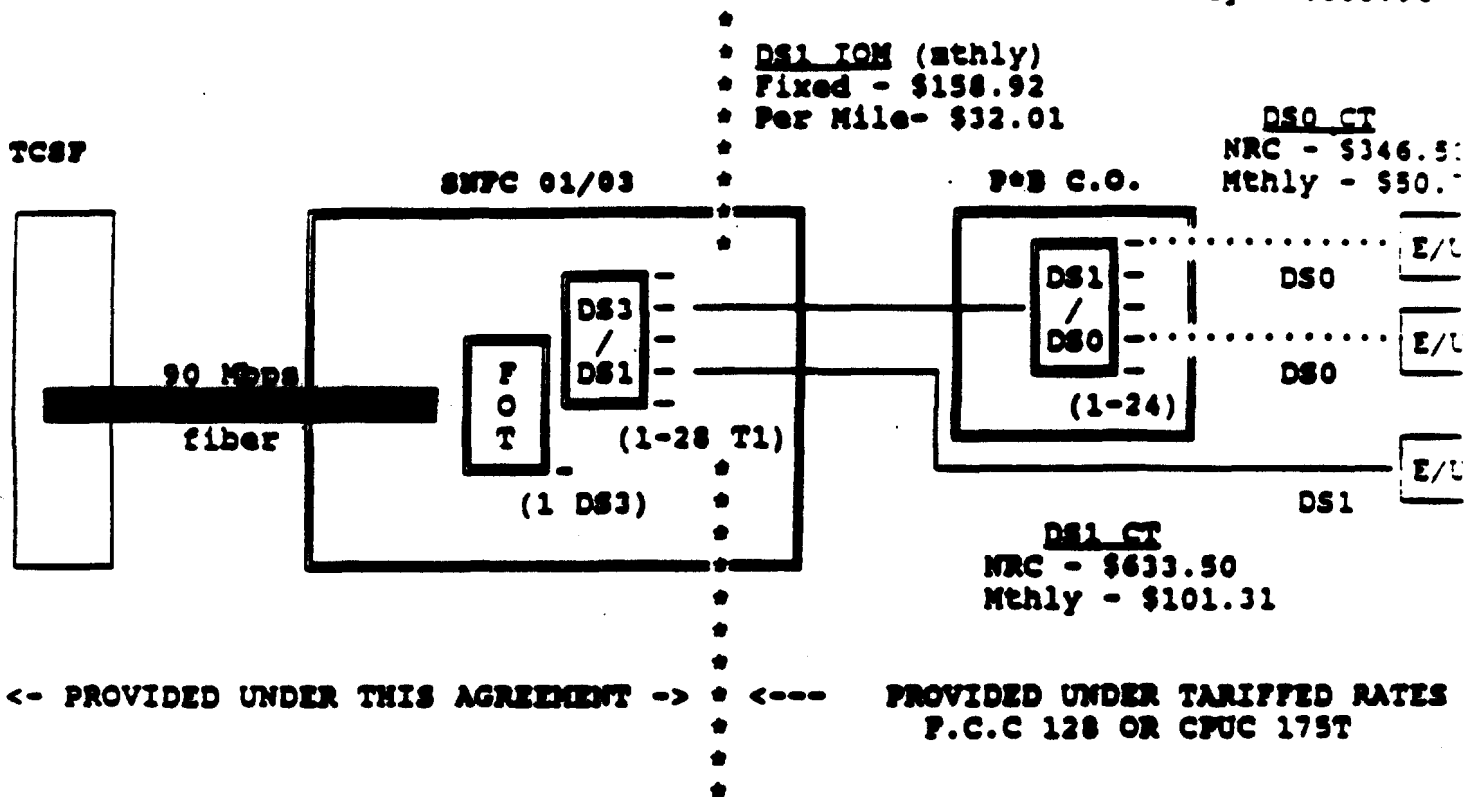
One (1) AT&T DDM 1000 90 Mbps. fiber system, 1x1 protected and equipped for one (1) DS3 port and 28 T1 ports. Twenty (20) spare fibers for future use.

|                      |                          |
|----------------------|--------------------------|
| Non recurring charge | = \$63,105               |
| Monthly rate         | = \$ 512 per month       |
| Termination charge   | = actual cost of removal |

# ATTACHMENT 1

OTHER SERVICES THAT MIGHT BE CONNECTED TO EXCHANGE ACCESS  
AND/OR FACILITIES OFFERED HEREUNDER  
(rates and design are for illustration only)

Multiplexing DS1/DS0  
NRC - 0  
Monthly - \$335.96



## LEGEND:

FOT - AT&T DEM 1000 90 Mbps e/v 1 DS3 port and 28 T1 ports  
CT - Channel Termination  
IOM - Inter Office Mileage  
E/U - End User



ATTACHMENT :

Examples of Services that Cannot be Connected\*

Foreign Exchange Service  
Foreign Prefix Service  
Local Exchange Service  
Private Branch Exchange Trunk Line Service  
Public Communication Service - Coin and Coinless  
WATS/800 Service  
CENTREX Service  
Telephone Answering Service  
Public Switched Digital Service

---

\* These services are described in Pacific's "A" tariffs  
(Schedule Cal.P.U.C. No. A), "Network and Exchange  
Services."

ATTACHMENT 5

STAT DDM-1000 Equipment

(One End) 90 Mb/s 1 DS3 28 DS-1

- 1 601 124 159 ED2C841-30 G-2  
DDM 1000 Shelf
- 2 104 187 794  
547A Power Unit
- 1 106 073 091  
MC 90083 A/E Processor
- 2 104171 509  
16E OLIU 14 24 EA
- 1 104 172 341  
AKM3 - DS3 Electrical
- 2 104 440 474  
AKM2C DES-1 Common
- 8 104 375 936  
AEK 36B DSI Interface
- 1 601 199 391 ED2C833-20 G-233  
Mult "B" CA 75 Ft. Long
- 2 106 258 429  
AKM 5 - DS3UI - Clear
- 1 ED 2C833-20 G-8  
TBOS CA 133 Ft.  
  
601 055 486 ED2C833-20 G-9  
T BOS Intra BA Mult

Plus

- 1 ADC DSX-1. 28 Port Patch Panel
- 1 Telect Dual Men Jack and Mounting
- 1 Dantel TBOS Converter
- 1 Inmac 16 Port Craftswitch

## **EXHIBIT B**

### **APPLICATION SPECIFICATIONS**

#### **DESCRIPTION OF SERVICE AND LOCATIONS:**

---

Provide one (1) Telco Systems 560 Mbps. fiber system, INI protected and equipped for two (2) DS3 ports, between the SURFAC1/03 Central Office and two (2) TCSF locations designated as TCSF NE 0000 (800 block of Pine Street, San Francisco) and TCSF NE 0425 (400 block of Bush Street, San Francisco). Provide ten spare fibers to each location for future use. Send-off to TCSF will be a 560 Mbps. optical signal.

---

Provide up to ten (10) additional DS3 ports, including protection ports, as requested by TCSF in increments of two (2).

---

Provide protective cabinets (if required by Pacific Bell safety standards) for Telco Systems equipment.

---

Provide time on-the-job (Pacific Bell employees for the SF 01/03 Central Office as specified above) for training on the Telco Systems' equipment.

**NOTE: "Electronic Equipment" that may be provided by TCSF:**

- Telco Systems 560 Mbps Optic Terminal including INI protection and all attached Telco Systems equipment (e.g., plug-ins).
- Telco Systems Cage Assembly (if required)
- Telco Systems 820A Multiplexer (DS3 to DS3) including all attached Telco Systems equipment (e.g., plug-ins).

**EXHIBIT C**

SEP 26 1991

SEP 27 1991

Decision 91-09-077 September 25, 1991

LEGAL DEPARTMENT

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's )  
 own motion into the Establishment ) I.90-02-047  
 of a Forum to Consider Rates, Rules, ) No. 0001  
 Practices, and Policies of Pacific ) (Filed February 23, 1990)  
 and GTE California Incorporated. )

OPINIONSummary

This decision grants the "Joint Motion of Teleport Communications Group and Pacific Bell for the Adoption of Settlement Agreement" (Joint Motion) filed on August 19, 1991. The decision also adopts the "Settlement Agreement and Revised Stipulation" (Settlement Agreement) entered into by Pacific Bell (Pacific) and Teleport Communications Group (TCG) on August 19, 1991. Under the adopted Settlement Agreement, Pacific will provide interconnection to Teleport Communications San Francisco, Inc., (Teleport)<sup>1</sup> at the terms and conditions set forth in the "Application for Exchange Access Service and/or Facilities Hubbing" (Specialized Service Arrangements, or SSA) attached to the Settlement Agreement. Pursuant to the SSA, Pacific will offer Teleport exchange access services and facilities to provide High-capacity (90 millibits per second (Mbps)) Access Service from Teleport's points of connection to the Pacific central offices (COs). Teleport will pay Pacific a nonrecurring charge of \$63,105, a monthly rate of \$512 per month, and a termination charge equal to the actual cost of removal.

---

<sup>1</sup> Teleport is an affiliate of TCG. The Joint Motion and Settlement Agreement were executed by TCG to enable Teleport to receive the desired service from Pacific.



exist because the Commission had granted Pacific the right to price its CO-to-POP link on a flexible basis. Teleport claimed it was foreclosed from competing with Pacific because Pacific had refused to allow the extension of Teleport's network to a Pacific CO.

Teleport claimed that its objectives would be realized if Pacific either permitted Teleport to co-locate Teleport's interconnection cable and interconnection facilities at the Pacific CO or provided Teleport with a "virtual co-location" that is technically and economically equivalent to actual co-location.

On May 21, 1990, Pacific filed its protest to and comments on the Petition. Pacific claims the Commission neither adopted pricing flexibility nor intended to foster competition for CO-to-POP facilities; equivalent interconnection for the facilities described by Teleport exists today; and the gravamen of the Petition is a request for access charge reductions.

Metropolitan Fiber Systems of California, Inc. (Metropolitan) commented in favor of the Petition. GTE California Incorporated, Citizens Utilities Company of California, and the Commission's Division of Ratepayer Advocates (DRA) protested the Petition. The Federal Executive Agencies (FEA) were granted leave to intervene.

The assigned administrative law judge (ALJ) solicited prehearing conference (PHC) statements from the parties and convened a PHC on September 25, 1990. A service list was established at the PHC. At that time, Pacific and TCG announced that they were actively pursuing settlement of the case. In order to facilitate resolution of the matter, the ALJ ruled that a subsequent PHC would be held on October 26, 1990, that the subsequent PHC would serve as the publicly noticed settlement conference required by Rule 51.1 (b) of the Commission's Rules of Practice and Procedure (Rules), and that Pacific and TCG would mail their written agreement to the parties on the service list seven days before the PHC.

The "Joint Notice of Stipulation by and Between Teleport Communications Group and Pacific Bell" (Notice) dated October 18, 1990 was mailed to the parties. The Notice included a joint motion for the adoption of a stipulation and an "Application for Exchange Access Service" that set forth all the terms of a co-location agreement between TCG and Pacific, except for the price. The Notice and its attachments were discussed at the October 26, 1990 PHC. The parties to the stipulation (Proponents) urged that the stipulation be approved by the Commission prior to the submission of any testimony and that further proceedings be limited to the unresolved question of the appropriate price for the service. Minor amendments to the stipulation were made and the revised document was circulated November 1, 1990. Parties served comments and replies to comments regarding the revised stipulation.

The Proponents subsequently reached agreement on the price Teleport should pay Pacific for the desired services. A joint motion filed May 8, 1991, seeks approval of a settlement agreement dated May 7, 1991, which the Proponents intended to supercede the earlier stipulation. However, no notice of settlement conference had been circulated prior to execution of the new agreement as required by Rule 51.1.

Pursuant to direction from the ALJ, on August 2, 1991 the Proponents withdrew the May 8 joint motion and circulated a Notice of Settlement Conference to all parties. The settlement conference



September 3, 1991. On that basis, the ALJ granted TCG's motion to shorten time for filing comments from 30 days to 15 days.<sup>3</sup>

Comments on the May 7 settlement agreement were received from Metropolitan and DRA when it was circulated in May; replies to those comments were filed by Proponents within the comment period established by Rule 51.4. When the Settlement Agreement was circulated in August, comments were received from Metropolitan, FEA, Associated Communications of Los Angeles, Inc. (Associated), and DRA. Metropolitan incorporated its earlier comments; the FEA adopted Metropolitan's previously filed comments; the DRA reiterated its earlier position. Pacific responded to the comments of Metropolitan and FEA. Because the May 7 settlement agreement was identified in all significant respects to the August 19 Settlement Agreement submitted for our approval, we will consider all comments to be addressed to the August 19 Settlement Agreement.

Terms of the Settlement Agreement

Under the Settlement Agreement, Pacific agrees to provide Teleport with exchange access service and facilities. Teleport will purchase specified equipment and then transfer ownership to Pacific at Teleport's cost. Teleport will construct fiber optic cable from its two designated points of connection to a specified Pacific CO. Pacific will pay its pro rata share of the cable's costs and will connect exchange access service to Teleport's points of connection via this cable.

---

3 The California Cable Television Association (CCTA) opposed the motion to shorten time for filing comments. Although a party to the proceeding, CCTA did not file comments on either the stipulation of November 1990 or the settlement agreement circulated in May 1991. It did not participate in the August settlement conference. CCTA has not asserted any interest in the merits of this proceeding. Its objection to the shortening of time should be denied.